

Private Rental Affordability Bulletin Regional Victoria (March Quarter 2016)



METHODOLOGY

Housing affordability can be measured in several ways.

The *TUV Private Rental Affordability Bulletin* draws on two standards:

- **30% of Total Income (30%TI):** For low-income households (defined as being in the lowest 40% of income distribution), spending 30% or more of household income on rent is considered an indicator of housing stress.ⁱ
- **After Housing Poverty Line (AHPL):** Poverty lines are income levels derived for various household types against which poverty can be measured. Simply, if a household's income is less than the poverty line applicable to it, then that household is considered to be in poverty.ⁱⁱ The AHPL refers to a poverty line with housing costs removed. The figures below show how far above or below the poverty line a household is after paying rent at the median level in dollar terms.

The TUV Private Rental Affordability Bulletin draws on a range of sources for median rent levels and national income dataⁱⁱⁱ. The Weekly Minimum Wage (WMW) is reviewed annually by Fair Work Australia and represents the minimum wage applicable to employees who aren't covered by an award or agreement, for example in industries such as retail and hospitality. Average Weekly Earnings (AWE) is reported quarterly by the Australian Bureau of Statistics and is based on all occupations and industries. The AWE households used in this analysis are not considered to be low income households. They have been included as comparators of affordability.

From September 2013, additional calculations have been applied to income data to provide a more accurate estimate of net income, which limits comparability with previous bulletins. From September 2015, single person households earning a minimum wage and average weekly earnings have been added to the analysis.

ANALYSIS

It is worth noting at the outset that households on average weekly earnings serve as useful comparators to illustrate the stark difference between low income households receiving income support or earning the minimum wage, and those earning an average wage. Even if households earning an average wage are paying close to- or more than 30 per cent of their income on housing, they remain above the poverty line – particularly single person households, which have significant disposable income after paying for housing.

| Selected movements in median rents | | | | |
|------------------------------------|---------------|-------------|---------------|------|
| Suburb | Dwelling Type | Median Rent | Δ Median Rent | |
| | | | \$ | % |
| Ballarat | 3 BR House | \$280 | - | - |
| Bendigo | 3 BR House | \$290 | ↑5 | +2% |
| Geelong | 3 BR House | \$330 | ↑5 | +2% |
| Mildura | 3 BR House | \$290 | - | - |
| Shepparton | 3 BR House | \$280 | - | - |
| Swan Hill | 3 BR House | \$270 | ↑30 | +13% |
| Traralgon | 3 BR House | \$290 | ↓5 | -2% |
| Warrnambool | 3 BR House | \$320 | ↑5 | +2% |
| Wodonga | 2 BR Flat | \$230 | ↑20 | +10% |

The table above sets out the major movements in median rents for selected dwellings based on the type of dwelling most private tenants occupy (flats or houses) in the regional centre and which type of dwelling comprises the majority of new tenancies in the suburb. In all eight regional centres profiled in this bulletin, private renters overwhelmingly live in houses rather than flats. Where a significant minority of private renter households occupy flats, or where one bedroom flats and two bedroom flats represent a significant number of newly tenanted dwellings in a quarter, significant movements in these dwelling types may be noted instead.

| Selected movements in statutory incomes (p.w.) | | | | |
|--|------------------------------|------------|----------|-----|
| Dwelling Type | Income Payment | Max Income | Δ Income | |
| | | | (\$) | (%) |
| 1 BR Flat | Austudy [Single] | \$282 | ↑3 | 1% |
| | Newstart [Single] | \$327 | - | - |
| | Aged Pension [Single] | \$502 | - | - |
| | Min Wage [Single] | \$599 | - | - |
| 2 BR Flat | Parenting [Single Parent +1] | \$589 | - | - |
| 3 BR House | Newstart [Couple +2] | \$305 | - | - |
| | Min Wage [Couple +2] | \$589 | - | - |

Again, the statutory incomes for the profiled low-income households for which these dwellings could be considered appropriate can be found in the table income table above. As the tables demonstrate, statutory incomes for low income households have not increased, with the exception of a student receiving Austudy which increased a meagre \$3. Meanwhile median rents have generally continued to rise or, where they have decreased and remained stable, continue to be critically unaffordable for the low-income households seeking that type of dwelling.

REGIONAL CENTRES:

| Ballarat | | Income | | Median Rent | | |
|-------------------------------------|---------------|---------------|-----------------------|-------------|-------------|----------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$165 | 58.6% | (\$138) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$165 | 50.5% | (\$93) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$305 | \$92 | \$118 | 38.7% | (\$68) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$280 | 37.0% | (\$189) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$165 | 32.9% | \$82 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$235 | 39.9% | (\$31) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$165 | 15.1% | \$576 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$280 | 21.8% | \$238 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$165 | 27.6% | \$79 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$280 | 29.9% | (\$110) |

In Ballarat, median rental prices were relatively unchanged from the December quarter. Rents remain unaffordable for six out of eight low-income households profiled. Students receiving Austudy allowance are worst affected as median rental costs would consume approximately 59 per cent of their weekly income. As in all other cities, family households receiving Newstart allowance would be furthest below AHPL if paying median rent (\$189 per week under).

| Bendigo | | Income | | Median Rent | | |
|-------------------------------------|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$180 | 63.9% | (\$153) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$180 | 55.1% | (\$108) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$305 | \$92 | \$120 | 39.3% | (\$70) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$290 | 38.4% | (\$199) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$180 | 35.9% | \$67 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$240 | 40.8% | (\$36) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$180 | 16.4% | \$561 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$290 | 22.6% | \$228 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$180 | 30.1% | \$64 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$290 | 31.0% | (\$120) |

The median rent in Bendigo for one bedroom flats significantly increased \$17 (10. per cent) in the March, while other dwellings remain largely unchanged. Rents in Bendigo remain unaffordable for all eight low-income household types profiled. Indeed, singles living alone and not on the aged pension or minimum wage are the worst affected and would spend between 55 per cent and 64 per cent of their income on median rent for a one bedroom flat (up around 5 per cent from December 2015). Single parents would continue to spend around 41 per cent of their income on median rent for a two bedroom flat (relatively unchanged from the previous quarter).

| Geelong | | Income | | Median Rent | | |
|-------------------------------------|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$210 | 74.5% | (\$183) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$210 | 64.2% | (\$138) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$305 | \$92 | \$140 | 45.9% | (\$90) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$330 | 43.7% | (\$239) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$210 | 41.8% | \$37 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$280 | 47.6% | (\$76) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$210 | 19.2% | \$531 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$330 | 25.7% | \$188 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$210 | 35.1% | \$34 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$330 | 35.3% | (\$160) |

In Geelong median rents were relatively unchanged from the December quarter. The rental market in Geelong continues to be the least affordable of the regional cities profiled; only households earning an average income would not pay more than 30 per cent of their income on the median rent. Families on the minimum wage or Newstart would need to spend approximately 35 per cent and 44 per cent of their income on median rent for a three bedroom house, leaving them \$160 and \$239 below the poverty line, respectively.

| Mildura | | Income | | Median Rent | | |
|-------------------------------------|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$168 | 59.6% | (\$141) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$168 | 51.4% | (\$96) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$293 | \$88 | \$100 | 34.1% | (\$62) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$290 | 38.4% | (\$199) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$168 | 33.5% | \$79 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$200 | 34.0% | \$4 |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$168 | 15.3% | \$573 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$290 | 22.6% | \$228 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$168 | 28.1% | \$76 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$290 | 31.0% | (\$120) |

In Mildura, median rents paid for one bedroom flats decreased \$12 (6.7 per cent) over the quarter while other dwellings were unchanged. Housing affordability continues to be an issue with seven of the eight low-income households profiled facing housing stress if paying median rent; it is a substantially different situation for households earning an average wage. Single occupant households on income support continue to be the worst affected with an aged pensioner living alone in a one bedroom flat needing to spend around 34 per cent of their income on median rent.

| Shepparton | | Income | | Median Rent | | |
|-------------------------------------|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$168 | 59.6% | (\$141) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$168 | 51.4% | (\$96) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$301 | \$90 | \$110 | 36.6% | (\$64) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$280 | 37.0% | (\$189) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$168 | 33.5% | \$79 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$220 | 37.4% | (\$16) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$168 | 15.3% | \$573 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$280 | 21.8% | \$238 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$168 | 28.1% | \$76 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$280 | 29.9% | (\$110) |

Rental prices in Shepparton remain among the most affordable in this analysis. Median rents were largely unchanged in the March quarter with six out of eight low income household types needing to spend 30 per cent or more of their income on median rent. Students are again worst affected.

| Swan Hill | | Income | | Median Rent | | |
|-------------------------------------|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$277 | \$83 | \$138 | 49.9% | (\$116) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$322 | \$97 | \$138 | 42.9% | (\$71) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$301 | \$90 | \$110 | 36.6% | (\$64) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$270 | 35.7% | (\$179) |
| Aged Pension - Single | 1 BR Flat | \$497 | \$149 | \$138 | 27.8% | \$104 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$220 | 37.4% | (\$16) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$138 | 12.6% | \$603 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$270 | 21.0% | \$248 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$138 | 23.1% | \$106 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$270 | 28.9% | (\$100) |

The rental market in Swan Hill is the most affordable of the regional cities in this analysis. However, median rent for three bedroom houses significantly increased \$30 (12.5 per cent) in the March quarter. Low income households other than those receiving the aged pension or minimum wage would still experience housing stress if paying median rents. Students receiving Austudy again face the greatest hardship in the rental market, as median rent for a one bedroom flat would consume around 50 per cent of their weekly income (unchanged from the previous quarter). Couples with dependent children relying on Newstart would be required to spend approximately 36 per cent of their income if paying the median rent (up 4 per cent from December 2015), leaving them \$179 below the AHPL.

| Traralgon | | Income | | Median Rent | | |
|--|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$165 | 58.6% | (\$138) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$165 | 50.5% | (\$93) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$303 | \$91 | \$113 | 37.3% | (\$65) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$290 | 38.4% | (\$199) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$165 | 32.9% | \$82 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$225 | 38.2% | (\$21) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$165 | 15.1% | \$576 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$290 | 22.6% | \$228 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$165 | 27.6% | \$79 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$290 | 31.0% | (\$120) |

Median rental prices in Traralgon decreased slightly in the March quarter with the biggest fall experienced by one bedroom flats (\$10, 5.7 per cent). Despite the decline in median rent for one bedroom flats singles on income support remain in a precarious situation. Singles receiving income support and living alone would need to spend between 33 per cent and 59 per cent of their income on median rent. Couples on Newstart with two children would need to spend 38 per cent of their income on median rent and even couples earning the minimum wage would spend 31 per cent of their income for appropriate housing, leaving them well below the poverty line.

| Warrnambool | | Income | | Median Rent | | |
|--|----------------------|----------------------|------------------------------|--------------------|--------------------|-----------------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$170 | 60.3% | (\$143) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$170 | 52.0% | (\$98) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$305 | \$92 | \$120 | 39.3% | (\$70) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$320 | 42.3% | (\$229) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$170 | 33.9% | \$77 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$240 | 40.8% | (\$36) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$170 | 15.5% | \$571 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$320 | 24.9% | \$198 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$170 | 28.4% | \$74 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$320 | 34.2% | (\$150) |

In Warrnambool, median rents for one bedroom flats fell sharply, decreasing \$50 (22.7 per cent), over the previous quarter. Housing stress remains an issue for all low income household types profiled, except singles earning the minimum wage. Despite the significant improvement in affordability, single occupant households receiving income support would need to spend between 34 per cent and 60 per cent of their income on median rent for appropriate housing in Warrnambool. A single parent would spend around 41 per cent of their income on median rent for a two bedroom flat.

| Wodonga | | Income | | Median Rent | | |
|-------------------------------------|---------------|---------------|-----------------------|-------------|-------------|----------------------|
| Household Type | Property Type | Weekly Income | Affordable Rent (30%) | Rent | % of Income | Difference from AHPL |
| Austudy - Single | 1 BR Flat | \$282 | \$85 | \$170 | 60.3% | (\$143) |
| Newstart - Single (>21yrs) | 1 BR Flat | \$327 | \$98 | \$170 | 52.0% | (\$98) |
| Newstart - Single (>21yrs) Sharing | 2 BR Flat | \$304 | \$91 | \$115 | 37.8% | (\$66) |
| Newstart - Couple (2 children) | 3 BR House | \$756 | \$227 | \$300 | 39.7% | (\$209) |
| Aged Pension - Single | 1 BR Flat | \$502 | \$151 | \$170 | 33.9% | \$77 |
| Parenting - Single Parent (1 child) | 2 BR Flat | \$589 | \$177 | \$230 | 39.1% | (\$26) |
| AWE - Single | 1 BR Flat | \$1,096 | \$329 | \$170 | 15.5% | \$571 |
| AWE - Couple (2 children) | 3 BR House | \$1,283 | \$385 | \$300 | 23.4% | \$218 |
| Min Wage - Single | 1 BR Flat | \$599 | \$180 | \$170 | 28.4% | \$74 |
| Min Wage - Couple (2 children) | 3 BR House | \$935 | \$281 | \$300 | 32.1% | (\$130) |

The rental market in Wodonga is also among the least affordable of the regional cities profiled. The March 2016 quarter saw median rent for one bedroom flats fall \$10 (5.6 per cent) and increase \$20 (9.5 per cent) for two bedroom flats from December 2015. Again, all low income households other than singles earning the minimum wage would experience housing stress in Wodonga if paying median rent. Single students must spend around 60 per cent of their income on median rent for a one bedroom flat and aged pensioners living alone would spend 34 per cent of their income on median rent for similar accommodation (down 4.3 per cent and 2 per cent from December 2015, respectively).

NOTES

- i A 'housing first' measure of affordability originally derived from commercial lending terms. The assumption is that housing costs have first priority out of the household income.
- ii The Henderson Commission of Inquiry into Poverty (1975) established the poverty line, based on a benchmark income of \$62.70 for a family of two adults and two dependent children in the September quarter of 1973. This amount was the disposable income required to support the basic needs of a family of this size. Poverty lines for other household types are derived from this benchmark figures using equivalence scales. Since then, the Melbourne Institute of Applied Economic and Social Research has updated the HPL using an index of per capita household disposable income, calculated using estimates provided by the Australian Bureau of Statistics (ABS). Thus, because the index is based on estimates, the poverty lines themselves are estimates. Also, updating poverty lines according to changes in household disposable income means that the poverty lines are relative levels of poverty - as real incomes rise, so will poverty lines. The value of the poverty lines will therefore be generally stable relative to general standards of living.
- iii Rent data is based quarterly rental bond payments obtained from the DHHS. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request. The table below summarises the components of total weekly income for the various household types:

| Household Type | Income Components | Maximum Total Weekly Income* |
|--------------------------------------|---|------------------------------|
| Austudy - Single | Austudy CRA | \$281.80 |
| Newstart - Single (>21 yrs) | Newstart CRA | \$326.90 |
| Newstart - Single (>21yrs) [Sharing] | Newstart CRA | \$305.17 |
| Newstart - Couple (2 children) | Newstart Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) CRA | \$755.96 |
| Aged Pension - Single | Aged Pension Pharmaceutical Allowance CRA | \$501.80 |

| | | |
|--|--|------------|
| Parenting - Single Parent (1 child) | Family Tax Benefit A Family Tax Benefit B Parenting Payment Pharmaceutical Allowance CRA | \$588.51 |
| AWE - Single | Average Weekly Income | \$1,095.80 |
| AWE - Couple (2 children) | Average Weekly Income (1 partner) Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA | \$1,283.40 |
| Min Wage - Single | Weekly Minimum Wage | \$598.59 |
| Min Wage - Couple (2 children) | Weekly Minimum Wage (1 partner) Family Tax Benefit A (Child 1) Family Tax Benefit A (Child 2) Family Tax Benefit B (Children 5-15) CRA | \$935.36 |

* Total weekly income for households in the tables above is less than the maximum where households are not eligible for maximum CRA payments.